

Docket No. N2021-2

LIBRARY REFERENCE USPS-LR-N2021-2-1

Calculating Transportation Cost Changes

RELATING TO THE TESTIMONY OF WITNESS KIM (USPS-T-2)

Note: Revisions of 7/2/2021 are described at end of the document in **bold**.

PREFACE

PURPOSE: USPS-LR-N2021-2-1 contains the calculation of cost changes in purchased transportation. This Category 2 library reference is associated with the testimony of, and sponsored by, Witness Kim (USPS-T-2).

PREDECESSOR DOCUMENT: The materials presented herein are similar to those presented in USPS-LR-N2021-1-4 (Whiteman) in Docket No. N2021-1.

CORRESPONDING NON-PUBLIC DOCUMENT: The corresponding non-public version of this material is presented in USPS-LR-N2021-2-NP1.

CONTENT: This library reference consists of one Excel workbook, Transportation Savings-Public.xlsx, with six tabs: Summary, Calculate Air Change Lbs Flown, Air, Highway, Potential-Charter, and Potential-NDC Network. The calculations included in each of these tabs are described below. An unredacted version of these calculations can be found in the corresponding non-public version, USPS-LR-N2021-2-NP1.

Summary: This tab sums the calculated savings from the Air and Highway tabs, and it compares the savings to those calculated in witness Whiteman's testimony in Docket No. N2021-1, USPS-LR-N2021-1-4.

Calculate Air Change Lbs Flown: This tab contains calculations to convert the percent reduction in First-Class Mail pounds flown provided by Witness Hagenstein (USPS-T-1) into a reduction in pounds flown for each of the air networks.

Air: This tab converts the reduction in pounds flown on each of the air networks from the previous tab to a percent reduction in required capacity for each network. Next, this percent reduction in air capacity is used to calculate the resulting reduction in air cost.

Highway: This tab contains calculations of the change in highway cost that results from the change in required highway capacity, which is provided by Witness Hagenstein.

Potential-Charter: This tab converts the range of potential reductions in charter capacity provided by witness Hagenstein to a range of potential cost savings.

Potential-NDC Network: This tab contains calculations of the range of potential cost savings that result from the range of potential capacity reductions in the NDC network provided by witness Hagenstein.

Revisions of July 2, 2021: The revisions to this Library Reference of this date are required because of revisions (also being submitted on this date) to the input data obtained from USPS-LR-N2021-2-4 and USPS-LR-N2021-2-NP2. Tabs in the Excel file that include revisions are highlighted, and revised cells within those tabs are also highlighted.

There are two categories of revisions accounted for in this Library Reference—revisions to the air inputs and revisions to the surface inputs.

Air Inputs: Cost savings for air transportation in this Library Reference are calculated based on witness Hagenstein's estimate of the percent reduction in FCM and FCPS pounds flown from USPS-LR-N2021-2-NP2. When the FCPS percent reduction was revised, it was necessary to revise the resulting cost savings for air transportation. This revision resulted in the air transportation savings changing from \$311 million, as originally filed, to \$304 million.

In addition, this revision had minor downstream impacts on the additional opportunities for savings in reducing air charters. The potential savings in charter reductions were revised from \$14-98 million to \$15-98 million.

Surface Inputs: Cost savings for surface transportation in this Library Reference are calculated based on witness Hagenstein's estimate of the percent reduction in mileage for the Inter-Area, Inter-Cluster, and Inter-P&DC contract types from USPS-LR-N2021-2-4. When those percent reductions were revised, it was necessary to revise the resulting cost savings for surface transportation.

In addition, since the revisions would have also affected the corresponding surface savings calculations from the FCM Service Standard Case (Docket No. N2021-1), and since the savings in the instant case are compared to those FCM-only savings, it was necessary to file a revised estimate of the FCM-only savings in this Library Reference as well. These savings calculations are included in the newly added Excel file "FCM Transportation Savings-Public.Rev.7.2.2021.xlsx" with revised tabs and cells highlighted. The FCM-only surface savings were revised from \$83 million to \$76 million. The surface savings in the instant case were revised from \$23 million to \$10 million.

Summary:

In total, between the changes to the air savings in the instant case and the changes to the surface savings in both the instant case and the FCM case, the

total additional savings beyond those resulting from the FCM case were revised from \$55 million to \$42 million.

The additional potential savings opportunities from charter reduction and streamlining the NDC network were revised from \$77-213 million to \$77-214 million as a result of minor impacts to the charter savings figures.

Table: Comparison of Original vs Revised Estimates (millions)

	Original			Revised		
Mode	FCM Case Savings	Instant Case Savings	Additional Savings	FCM Case Savings	Instant Case Savings	Additional Savings
Air	-\$196	-\$311	-\$115	-\$196	-\$304	-\$108
Highway	-\$83	-\$23	\$60	-\$76	-\$10	\$66
Total	-\$280	-\$334	-\$55	-\$272	-\$314	-\$42